



## Company announcement

Copenhagen, 20 March 2020

No. 5/2020

# Updates relating to COVID-19, IT Security Incident, Outlook and Ordinary Dividend

- Organic growth for January 2020 was strong and above our expectations at 7%.
- The business has continued to perform and deliver uninterrupted service to the vast majority of clients despite the malware attack:
  - The negative impact in 2020 on organic growth and operating profit before other items, as a result of the IT security incident, is estimated to be immaterial.
  - We have regained control of the vast majority of our IT infrastructure and are relaunching business-critical systems.
  - There remains no indication of any customer data or sensitive personal employee data having been compromised as a result of the malware attack.
  - As a consequence of damages to some of our IT assets, a write down and rebuild of part of the IT infrastructure is required.
  - The combined net negative one-off impact in 2020 on free cash flow, including incremental costs and system rebuilds, is estimated to be DKK 450-800 million.
- While organic growth in January was strong, we are now facing negative impacts relating to COVID-19, currently most notably within Food Services (15% of Group revenue in 2019) as well as within projects and above base work. Where this has occurred, we are adjusting our cost base accordingly. The outlook for 2020 is withdrawn at this time as the situation remains too uncertain to estimate.
- Our liquidity remains solid. As a precautionary measure we have secured further credit lines in 2020. Current liquidity is above DKK 8 billion. We have no financial covenants in our capital structure. We have no debt maturities in 2020 and the vast majority of our debt (around 90%) does not mature until 2024 onwards.
- In light of the extraordinary circumstances and as a precautionary measure, the Board of Directors has decided to withdraw the proposal to pay an ordinary dividend of DKK 7.70 per share. We will assess the appropriate amount to be returned to shareholders in 2020 once we gain more clarity around the ramifications of COVID-19.

### Conference call details:

A Q&A conference call will be held 20 March 2020 at 9:00 am CET. Regular updates will follow.

- Dial in: DK: +45 7876 8490 / UK: +44 203 769 6819
- Conference Code: 951239
- Link: <https://iss.eventcdn.net/20200320/>

## Outlook for 2020 withdrawn as a result of COVID-19

Organic growth for January 2020 was strong and above our expectations at 7%. Although we had limited access to our IT systems as a result of the malware attack, we saw no indication of any significant impact from COVID-19 during February, with effects largely confined to Asia. However, the rapid escalation of containment measures during March 2020 is having a negative revenue and operating profit impact. As a result of the current elevated global uncertainties caused by COVID-19, we withdraw our outlook for 2020 pending further clarification of the market developments and the actual financial impact on our business.

While our operating margins are supported by contract clauses and a flexible cost structure, we are currently facing a reduced level of activity across many customer sites, currently most notably within Food Services (15% of Group revenue in 2019), as well as a reduction in the demand for projects and above base work. The situation varies greatly by geography, by customer segment and by service. We are in close dialogue with our customers and adapting accordingly within the framework of our contracts. Where demand for our services is impacted, we are adjusting our costs base while utilising any government support available.

Our priority is the safety and wellbeing of our people and our customers. In each country we have been implementing business continuity plans in line with local regulation and restrictions. We are adapting to a fast moving environment.

## Withdrawal of proposal to pay ordinary dividend, as a precautionary measure

As a result of rapidly developing repercussion related to COVID-19 and the uncertainty this brings to our business and the global economy at large, the Board of Directors has, as a precautionary measure, decided to withdraw the proposal for paying an ordinary dividend of DKK 7.70 per share in connection with the Annual General Meeting on 2 April 2020.

In these extraordinary circumstances it is the prudent thing to do as we balance the needs of our employees, customers, suppliers, investors and other stakeholders. Once we gain more clarity around the situation created by COVID-19, we will assess the appropriate amount to be returned to shareholders in 2020, either as an extraordinary dividend or a share buy-back.

It is our intent to maintain a high level of liquidity, especially during uncertain times. As an additional precautionary measure, we have in 2020 secured extra liquidity lines which are fully undrawn. Current liquidity is above DKK 8 billion.

We have no financial covenants in our capital structure. We have no debt maturities in 2020 and the vast majority of our debt (around 90%) does not mature until 2024 onwards.

## Update on IT security incident announced 19 February 2020

The nature of our business is to deliver services on customer sites, mainly through our people, and as such we have been able to continue our service delivery uninterrupted to the vast majority of customers. There is still no indication that any customer data or sensitive personal employee data has been compromised as a result of the malware attack.

We have now regained control of the vast majority of our IT infrastructure and are systematically relaunching business-critical systems, albeit with somewhat reduced functionalities. This includes central finance systems supporting payroll and invoicing. We expect recovery of all business-critical systems during Q2 2020. The ongoing process for restoring or rebuilding systems and IT assets in full is anticipated to be completed by the end of 2020.

Incremental costs related to the following activities: remediation of the IT incident, workarounds to enable the continuous delivery of service to our customers, duplication of costs associated with operating our contracts and service underperformance as a consequence of system down-time are estimated to be DKK 300-500 million in 2020. These costs will be reported within 'Other income and expenses, net'.

As a consequence of damages to some of our IT assets, a write down and rebuild of part of the IT infrastructure is required. The assessment is ongoing, but the non-cash write-down, which will be reported within 'Other income and expenses, net' is expected to be up to DKK 350 million. The net incremental capital expenditure related to the rebuild is expected to be DKK 150-300 million in 2020.

In summary, the negative impact in 2020 on organic growth and operating profit before other items, as a result of the IT security incident, is estimated to be immaterial. The isolated, combined net negative impact on free cash flow related to the IT security incident is estimated to be DKK 450-800 million, with the majority of the impact in the second half of 2020 and some spill over into 2021.

### **For investor enquiries**

Martin Kjær Hansen, Head of Group Investor Relations, +45 20 27 15 25

Daniel McKay, Senior Investor Relations Manager, +45 22 24 65 42

### **For media enquiries**

Rajiv Arvind, Communications Director, +45 24 90 07 47

### **About ISS**

ISS is a leading workplace experience and facility management company. In partnership with customers, ISS drives the engagement and well-being of people, minimises the impact on the environment, and protects and maintains property. ISS brings all of this to life through a unique combination of data, insight and service excellence at offices, factories, airports, hospitals and other locations across the globe. In 2019, ISS Group's global revenue amounted to DKK 78.6 billion. For more information on the ISS Group, visit [www.issworld.com](http://www.issworld.com).